

Message Text

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ACTION SS-25

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R 111238Z DEC 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6456
INFO AMEMBASSY JIDDA

C O N F I D E N T I A L LONDON 16160

EXDIS

PASS TREASURY FOR S.Y. CROSS AND F.L. WIDMAN

E.O. 11652: GDS

TAGS: PFOR, EFIN, ENRG, SA, US, UK

SUBJECT: MESSAGE TO SAUDIS ON HEALEY PROPOSALS;
PROGRESS OF YAMANI OIL TALKS

REF: STATE 268114

1. EMBASSY WAS UNABLE PASS MESSAGE TO SAUDI AMBASSADOR AFTER CLOSING HOURS FRIDAY, BUT GOT TO HIM BY MONDAY, DECEMBER 9. AMBASSADOR SAID IT WAS A BIT LATE TO PASS MESSAGE TO RIYADH BUT WOULD INCLUDE IT IN HIS REPORT AFTER YAMANI LEFT. SAUDI GOVERNMENT IS SLOW TO MAKE DECISIONS, HE SAID, SO THERE WOULD BE TIME.

2. BASIC MESSAGE WE PASSED WAS THAT (A) USG PREFERRED ITS OWN PROPOSAL AND (B) IF IT CAME TO RAISING MORE FUNDS FOR IMF WE THOUGHT NORMAL CONTRIBUTIONS SHOULD BE INCREASED, RATHER THAN NEW MONEY BORROWED. SAUDI AMBASSADOR (WHO IS NO EXPERT ON THE DETAILS) SAID HE THOUGHT MOST OF THE EUROPEANS SUPPORT THE BRITISH PROPOSAL. ALSO, IT WOULD MEAN LESS MONEY FROM SAUDI ARABIA THAN US PROPOSAL REQUIRES. WE DID NOT PURSUE THE DISCUSSION.

3. AMBASSADOR INVITED EMBASSY POLITICAL OFFICER TO LUNCHEON HE HAD ORGANIZED (ON 24-HOUR NOTICE) FOR
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DECEMBER 10. IT WAS IN YAMANI'S HONOR AND INCLUDED US

OIL COMPANY REPRESENTATIVES INVOLVED IN DISCUSSIONS WITH HIM AND ARAMCO OFFICIALS, AS WELL AS UK OFFICIALS AND OTHER SAUDIS HERE. MAIN IMPRESSION EMBOFF RECEIVED WAS THAT TALKS ARE PROCEEDING TO EVERYONE'S SATISFACTION. ARAMCO PRESIDENT CONFIDED TALKS WERE ON THE WAY TO BUILDING A "UNIQUE" NEW RELATIONSHIP. OIL COMPANY EXECUTIVE

MUST BE ABLE TO MAKE A PROFIT IN PRODUCTION OPERATIONS (AS OPPOSED TO LOSSES SUSTAINED PAST YEAR) IF THEY WERE TO REMAIN. HE ALSO SAID YAMANI IS ANXIOUS TO KEEP INCENTIVES FOR FURTHER EXPLORATION IN SAUDI ARABIA BY US COMPANIES. TALKS AT PRESENT ARE CONCENTRATING ON AMOUNTS TO BE PRODUCED, COST TO OIL COMPANIES, AND SIMILAR TECHNICAL DETAILS. HOPE IS TO SET UP LASTING AGREEMENT. MOBILOIL PRESIDENT WAS GAY AND FULL OF JOKES AND EVEN YAMANI SMILED ONCE OR TWICE.

4. ONLY YAMANI REMARK WE OVERHEARD WAS TO BRITISH OFFICIAL. YAMANI TOLD HIM THAT UK COULD BE HELPFUL TO SAUDI ARABIA, THOUGH NOT AS MUCH AS THE US COULD, IN THE MAIN TASK--WORKING ON THE IRANIANS.

5. IN ANOTHER EXCHANGE, WITH SAUDI AMBASSADOR, US OIL COMPANY OFFICIAL BEMOANED USG RESISTANCE TO IDEA OF AN EARLY CONSUMER CONFERENCE WITH THE PRODUCERS. HE ARGUED IT WAS NECESSARY.

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